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SUBJECT: U.S.-JAPAN-KOREA POLICY PLANNING TALKS - WORKING
LUNCH AND AFTERNOON SESSION

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11. (SBU) SUMMARY. This cable reports on the working lunch and afternoon session of the U.S.-Japan-Korea policy planning trilateral held on December 17 (see reftel for reporting on the welcome dinner and morning session). At the lunch, S/P Director David Gordon, Japanese Deputy Vice Minister for Foreign Policy Chikao Kawai, and ROK Deputy Foreign Minister Park In-kook exchanged views on the future of China, including military modernization. During the final afternoon session, the officials and their delegation members discussed regional cooperation in Asia, multilateral security regimes in Northeast Asia, and aid cooperation. END SUMMARY.

WORKING LUNCH: THE RISE OF CHINA

12. (SBU) Japanese Deputy Vice Foreign Minister Kawai noted that dealing with China was one of Tokyo's greatest foreign policy challenges. The PRC was now Japan's top trade partner and the number one destination for Japanese capital. The two nations' economies were increasingly interdependent, Kawai observed. Yet despite the robust growth in commercial ties, Japan had serious concerns about China's internal stability and its growing military capabilities focused, it seemed, on Taiwan. China should hear the same message from Tokyo, Seoul, and Washington: don't gamble on a military solution to the Taiwan problem. Kawai added that China's growing need for energy supplies underpinned Chinese support for "problematic" countries throughout Africa, foremost among them Sudan. According to Kawai, Japanese analysts feared the Chinese economy was in worse shape than Beijing admitted publicly; the PRC was working closely with Japan to draw on Japanese experience in managing non-performing loans and limiting the impact of the sub-prime loan crisis. Chinese leaders were very worried about the economy, Kawai asserted, adding "so are we."

13. (SBU) South Korean Deputy Foreign Minister Park In-kook said China posed a big challenge for the ROK, noting that the PRC was South Korea's top trade partner as well. Echoing many of Kawai's themes, Park added that the PRC leadership at times used xenophobia to help placate a Chinese public increasingly angry about corruption and the country's economic problems. The PRC was also a major emitter of greenhouse gases, Park added.

14. (SBU) S/P Director David Gordon noted that there has been a shift in the PRC's approach to dealing with the United States. The longtime view was zero sum: the United States, as the dominant world power, sought to prevent China from rising to its full potential and playing its rightful international role. Now, Gordon said, there seemed to be a less zero sum view of ties with Washington. Evidence of the

shift was visible in Darfur, where the Chinese were now part of the solution. Still, China's lack of transparency in its military modernization program was troubling, Gordon said, adding that it was difficult to engage with the Chinese military. Kawai seconded that view, explaining that Japan had tried to expand its contacts with the PLA but was similarly finding it hard to get the military to engage. Park noted that the PLA Navy was now fielding ballistic missile submarines, which the ROK found troubling.

AFTERNOON SESSION: REGIONAL COOPERATION IN ASIA

¶15. (SBU) DVM Kawai opened this discussion by providing an update on the East Asia Summit held in Singapore on November 21 and 22. Main topics on the agenda there included environmental issues, climate change, and energy security. Kawai praised ASEAN's role in fostering regional cooperation, and suggested that the U.S., Korea, and Japan support the organization. Pointing to the disappointment many in Asia felt after President Bush canceled his trip to Singapore at the last minute, Kawai said it would be helpful for the U.S. to send a clear signal about its support for regional cooperation in Asia. Secretary Rice's presence at the ASEAN Regional Forum (ARF) was one possible signal the U.S. could send, said Kawai.

¶16. (SBU) DFM Park mentioned ASEAN's success in creating consultative bodies and reiterated the importance of dialogue in the region. However, Park said, the overlapping of institutions can be confusing and the imbalance between real capacity and nominal leadership must be addressed.

¶17. (SBU) EAP Political Advisor Kathy Stephens stated that the perception that the U.S. is not as engaged in regional cooperation and institution-building in East Asia -- whether that is true or not -- must be addressed. She continued that ASEAN's relevance was being tested on the Burma issue, and asked participants to consider the following questions: 1) what is the ultimate objective of the EAS?; 2) with climate change and environmental issues on the EAS agenda, how is the EAS the same as and different from APEC?; 3) has there been an evolution in China's attitude towards the EAS, ARF, and APEC?; and 4) why is the bulk of the political and economic capital in northeast Asia, yet institution-building taking place in southeast Asia? Deputy Assistant Secretary of Defense David Sedney pointed out that the annual Shangri-la conference in Singapore is an important and effective mechanism for Asian engagement for the U.S. military.

¶18. (SBU) Wrapping up the session, Kawai recognized that the number of institutions in Asia was at times frustrating but urged countries to be patient, as such a multilateral framework was a reflection of the reality in Asia and was logical for Asia. Kawai argued that the region needed multiple institutions, but must coordinate so they move in the same direction. He also remarked that Chinese attitudes towards regional institution-building had changed significantly in the last five to ten years--from non-participation to enthusiasm.

AFTERNOON SESSION: SECURITY REGIMES IN NORTHEAST ASIA

¶19. (SBU) Moving to Northeast Asia specifically, DFM Park named five principal, ongoing security issues in the region: 1) North Korean denuclearization; 2) Taiwan; 3) historical animosities; 4) nationalism; and 5) territorial disputes. He also listed several non-traditional security concerns, including terrorism, illegal migration, pollution, transnational crime, and pandemics. Finally, Park pointed out challenges to regional security that had an economic dimension, as well as the rise of China.

¶10. (SBU) Park recommended taking a three-track approach when dealing with northeast Asian security: 1) the

denuclearization of North Korea, 2) the establishment of a peace regime on the Korean peninsula, and 3) the establishment of a Northeast Asian Peace and Security Mechanism (NEAPSM). According to Park, the DPRK did not have an objection to moving forward on discussions on the NEAPSM, but preferred to revisit the idea after it normalized ties with Japan and the U.S. Park said that the ideal outcome after North Korean denuclearization would be a nuclear free zone, but that other options included: 1) a system similar to the OSCE based on confidence building measures; 2) one resembling NATO; and 3) another resembling the ASEAN Regional Forum. Park did not express a preference among these three options, but did emphasize the need for some kind of institution as well as U.S. involvement as a guarantor or facilitator.

¶11. (SBU) Political Advisor Stephens pointed to the absence of a security mechanism in Northeast Asia, and praised efforts through the Six-Party Talks to create a NEAPSM as novel and good. She emphasized, however, that there was no zero sum between any future regional mechanism and U.S. bilateral alliances in the region. Stephens remarked that in Europe, bilateral alliances actually strengthened as regional groupings developed around them.

¶12. (SBU) DVM Kawai echoed the importance of the Six-Party Talks for northeast Asian security and the potential that it will develop into a framework for discussions on security, but reminded the group that the first priority was to address the denuclearization of the DPRK.

AFTERNOON SESSION: AID COOPERATION

¶13. (SBU) S/P staff members James Green and Nazanin Ash explained the structure and goals of USG offices working on foreign assistance, recently consolidated under the office of the Director of U.S. Foreign Assistance (referred to as "F"). As the largest donor of official development assistance (ODA), the U.S. has provided USD 23 to USD 28 billion over the last few years, to 155 of 190 sovereign nations as well as to tackle problems that transcend borders. Seeing the need to focus on the administration and allocation of aid, U.S. aid administrators have been working to improve: 1) the alignment of foreign assistance with U.S. foreign policy goals; 2) coordination and efficiency between the 80 agencies and accounts that deal with foreign aid; 3) transparency; and 4) accountability and evaluation of performance and results. American aid efforts can be separated into five major categories: 1) peace and security; 2) economic growth; 3) effective governance; 4) investment in human capacity; and 5) humanitarian assistance.

¶14. (SBU) DFM Park informed the group that the ROK currently provided USD 700 million in foreign assistance but hoped to increase the figure to USD 1 billion by 2009 and USD 3.2 billion by 2015. Although he said there could be strong resistance from domestic groups who opposed increased foreign aid, Park explained that the ROKG had set goals for increased spending. Because of the interest many recipient nations have shown in South Korea's rapid transformation from receiving aid to providing it, Park said that the ROK had started to focus on training programs. He also stated that South Korean aid initiatives were traditionally aimed at Asian countries but were increasingly targeted towards other regions such as Africa and at global initiatives such as the Partnership for Democratic Governance. Before ending his remarks, Park proposed that the U.S., Japan, and the ROK organize policy consultation groups to discuss development policies with the aim of coordinating aid policy in Asia and beyond.

¶15. (SBU) The top provider of foreign aid until 2000, Japan was now number three behind the U.S. and UK, said DVM Kawai. He explained that the drop was due to budgetary reasons and increasing public criticism during a time when the country

faced serious problems with its pension fund and health care.

The government of Japan, continued Kawai, must turn the trend around and increase the level of its ODA. With the Japanese economy recovering, Kawai felt the public would support a renewed emphasis on foreign aid. Because many Asian countries (including Thailand and Malaysia) had "graduated" from recipient status, Japan was now looking to the Middle East, Africa, and Central Asia for its aid efforts. Kawai mentioned that Japan was also engaging in aid-related dialogue with China, which wanted to learn more about how to implement ODA.

LIST OF PARTICIPANTS

¶16. (SBU)

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